



Sustainable Development Report

2004 Update

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Schneider
 **Electric**
Building a New Electric World



Schneider Electric published its **first Sustainable Development Report in 2004.**

The report outlined all of the Company's actions in compliance with the major global benchmarks, including the Global Reporting Initiative, and explained how Schneider Electric sees and assumes its responsibilities in the areas of corporate governance and social, societal and environmental performance.

In 2005, we are publishing an updated version to present our performance in 2004 and show how everyone in our corporate community, in all countries, contributes to sustainable development day after day.

The original report and the update go together.

We recommend that you consult the 2004 report, if you have not yet read it, to get a full view of our overall approach and positioning.

Both documents are available for downloading from our corporate website:

www.schneider-electric.com
(Group>Sustainable Development)



	<i>GRI indicators used</i>
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Editorial



Henri Lachmann,
Chairman and CEO
of Schneider Electric

Our NEW2004 program has drawn to a close. Between 2001 and 2004, it allowed us to make significant progress, notably in the area of sustainable development.

Now, we have embarked on a new Company Program called **new²**, which will guide our actions through 2008.

It will give us the opportunity to clarify and deepen our commitments towards shareholders, customers, employees and the community, thanks in particular to the Planet & Society barometer.

new² also provides a useful yardstick for measuring our performance in the area of corporate social responsibility, with specific criteria on societal, environmental, community and corporate governance issues. This scorecard will demonstrate, to both internal and external audiences, our commitment to promoting sustainable development.

Putting this commitment into action, we are making sustainable development an integral part of our management policy by:

- Focusing on employee health.
- Making sure we can respond to all customers' environmental concerns.
- Taking proactive steps with suppliers and encouraging them to publicly embrace the principles of the UN's Global Compact.
- Being more aware of the major issues facing our planet, thanks to our international scope and our businesses.

These challenges concern every level of our Company.

To meet them, we have set tangible, ambitious and realistic objectives for corporate social responsibility.

Our approach to sustainable development

Company Program

Our strategic commitment to sustainable development is backed by tangible objectives in our Company Program.



new 2004

NEW2004: improvement targets met

In 2004, we successfully completed the improvement plans defined in our NEW2004 program.

Social performance

Several practices have been extended across the enterprise to ensure that all employees are treated equally. The ProSat satisfaction survey, for example, has been administered to 99% of our workforce worldwide. Similarly, 80% of our employees now have a variable salary component linked to the Company's results.

In addition, all of our team members around the world now have basic health coverage.

Planet & Society barometer



To measure our corporate social responsibility performance, we have developed a Planet & Society barometer comprising the following targets:

Social

- > Reduce the number of lost days from work accidents by 20%.
- > Ensure that all employees have health insurance.
- > Increase diversity by ensuring that 30% of the Top 600 managers have been in their positions for less than one year (resources indicator).

Societal

- > Donate €500,000 worth of equipment.
- > Ensure that 90% of our sites have a lasting commitment with the Foundation in the area of youth opportunities.

Environmental

- > Ensure that all our manufacturing, logistics and R&D sites are certified ISO 14001.
- > Provide an environmental profile for 120 products (from Schneider Electric's 300 product families).
- > Reduce our facilities' energy consumption by 10%.

Corporate governance

- > Make 60% of total purchases from suppliers who support the Global Compact.
- > Be included in the four major CSR index families.

As of January 1, 2005, we had achieved five out of ten of these targets. Our goal for end 2008 is eight out of ten.

Societal performance

84.5% of our facilities, or more than 400 sites, are involved in community outreach programs overseen by the Schneider Electric Youth Opportunities Foundation.

Environmental performance

97% of the manufacturing facilities targeted by NEW2004 have obtained ISO 14001 certification. The remaining 3% are in the process of being certified. All major range-core products developed in 2004 were eco-designed.

new²: setting a new horizon



new² includes even more improvement targets for sustainable development.

Our Company program for 2005-2008 sets three operational priorities for achieving excellence: growth, efficiency and people.

Concerning people, we are focusing on improving on-the-job health and safety, developing talent and unleashing entrepreneurship.

As part of new², we have also made new commitments to our stakeholders: shareholders, customers, employees, the planet and society.

One of them—our commitment to achieving 10% growth in the energy efficiency market by end-2008—will give us the opportunity to broaden our skills and lineup for customers.



Improvement plans

	2001	2002	2003	2004	2005	2006	2007	2008
Corporate governance								
			In progress	In progress	In progress	In progress		
			In progress	In progress	In progress	In progress		
new ²					New target	New target	New target	New target
Employees								
	Target met	Target met	Target met	100%				
				In progress	In progress	In progress	In progress	In progress
new ²					New target	New target	New target	New target
			In progress	In progress	In progress			
new ²					New target	New target	New target	New target
NEW2004	Target met	Target met	Target met	80%*				
NEW2004	Target met	Target met	Target met	99%				
NEW2004	Target met	Target met	Target met	35.8%				
NEW2004	Target met	Target met	Target met	100%				
new ²					New target	New target	New target	New target
Business partners								
			In progress	In progress	In progress	In progress		
new ²					New target	New target	New target	New target
			In progress	In progress	In progress	In progress		
new ²					New target	New target	New target	New target
Local community								
NEW2004	Target met	Target met	Target met	84.5%				
new ²					New target	New target	New target	New target
new ²					New target	New target	New target	New target
Environment								
			In progress	In progress	In progress	In progress		
NEW2004	Target met	Target met	Target met	97%				
new ²					New target	New target	New target	New target
new ²					New target	New target	New target	New target
			In progress	In progress	In progress	In progress		
NEW2004	Target met	Target met	Target met	93%				

■ Target met
 ■ In progress
 ■ New target

*Corresponds to what is possible in light of local legislation.

Economic performance

Customers

Schneider Electric helps customers optimize their environmental and economic performance by providing solutions to control energy consumption.



Energy has become a critical resource. With our partners, we offer tailored solutions to help customers improve their environmental and economic performance and reduce energy consumption. Our reliable, innovative and high quality systems and services also enhance safety and comfort in all our markets.

In 2004, we pursued our commitment in this area by making targeted acquisitions, deploying growth platforms and maintaining a high investment in research and development.

Acquisitions

With TAC, Andover Controls and Abacus Engineered Systems, we can now offer energy management solutions that optimize energy consumption, control energy quality, manage energy bills and more.

Our acquisition of MGE UPS Systems, ranked third worldwide, puts us squarely in the center of the uninterruptible power supply market with completely secure solutions.

Growth platforms

These acquisitions have been organized into what we call growth platforms, which will be leveraged to build future core businesses strategically related to our existing ones. Two of them contribute directly to sustainable development and should allow us to reach markets that are growing by 6%-10% a year.

➤ Through the building automation and security platform, for example, we can meet strong customer demand for comfort, safety and flexibility, as well as the need to optimize investments and reduce operating costs for service, commercial and industrial buildings.

➤ Through the secured power platform, we provide solutions that ensure a reliable supply of clean electricity, while focusing more sharply on managing costs.

Research and development

In 2004, we devoted 5.2% of sales to R&D, one of the highest ratios in the industry.

We have 4,500 researchers and developers around the world and development centers in 25 countries. This commitment allows us to speed time to market for new products and leverage the technologies of strategic partners with whom we forge alliances to extend our lineup or geographic coverage.

Schneider Electric and energy efficiency

Schneider Electric has decided to focus on creating energy performance solutions for its customers. As part of this strategy, we acquired TAC in 2003. TAC's solutions improve energy efficiency in buildings, which account for 32% of human CO2 emissions, while offering guaranteed results through performance contracts.

These contracts cover maintenance management and offer a binding commitment to specific results. Energy solution projects can be devised to upgrade out-dated equipment, reduce energy and upkeep bills and enhance comfort for occupants. So far, 200 energy solution contracts have been signed, generating savings of \$60 million.



Swedish town enhances comfort for building occupants while shaving costs

The City of Nyköping in Sweden has awarded TAC a contract for optimizing the lighting, heating, ventilation and air conditioning (HVAC) systems of 123 community buildings.

“We were using too much energy and didn't know how to cut back on consumption since we didn't have the funds to upgrade our entire infrastructure,” explains Bo Flinkberg, who's in charge of the town's technical services department.

TAC's project for Nyköping covers 123 schools, daycare centers, retirement homes, swimming pools, offices and other public property, representing a total of 257,000 square meters. Under the contract, TAC has installed new building management software, equipped facilities with heat pumps and solar panels and introduced photoelectric cell technology to control the lighting and HVAC systems.

“Based on round-the-clock monitoring and process optimization, we signed a performance contract guaranteeing that our building management solution will reduce energy costs by 17%, enough to cover the investment,” says Jonas Tegstrom, head of Energy Solutions Europe.

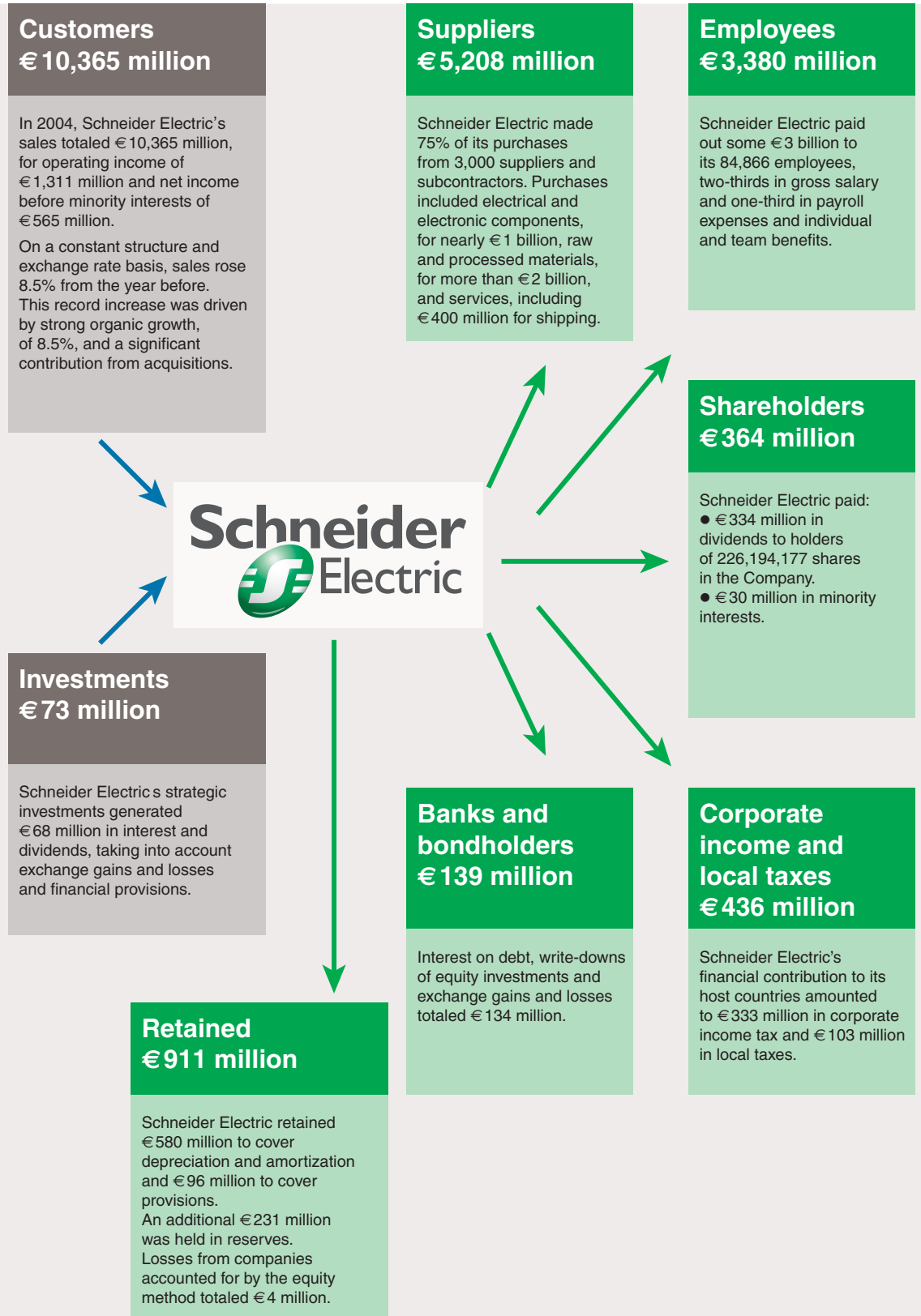
Thanks to TAC's comprehensive facilities management system, Nyköping is now better equipped to manage and maintain its public buildings. TAC technicians provided training to technical service department employees,

and a TAC expert permanently assists the municipal authorities.

Besides helping the town achieve cost savings, the project has also had a favorable impact on the environment. As a result of improved energy efficiency, Nyköping has lowered the buildings' CO2 emissions by 4,300 metric tons per year. In addition, the building improvements have provided greater comfort to the occupants—primarily students and retirement home tenants—while at the same time trimming rental costs. Users are better informed about energy consumption and know exactly how much they need to pay each month and how they can keep expenses down. “We estimate we'll save six to eight million Swedish krona per year,” says Flinkberg. “And that figure is bound to grow, since we're constantly adding new projects to our contract with TAC, like replacing heat pumps to save even more energy.”



How we generate and use our income



Ratings and indices

This section presents the findings of the leading sustainable development ratings agencies.

Certain organizations such as Innovest, with whom we have had discussions, did not wish to be included in this report.

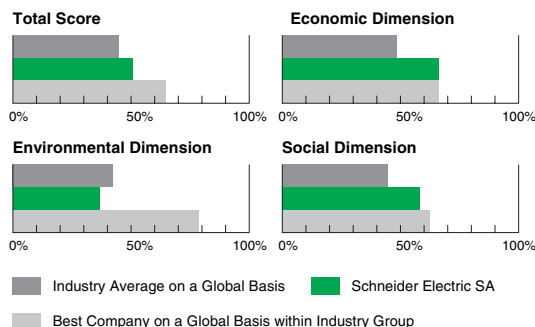
Dow Jones

www.sustainability-index.com



After being selected for the first time in 2002, Schneider Electric was included in 2005 in the Dow Jones Sustainability Index World and the Dow Jones Sustainability Index Stoxx (for Europe). This family of indices bases its decisions on research provided by Sustainable Asset Management (SAM), an independent asset manager headquartered in Switzerland.

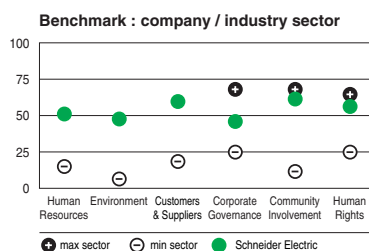
Sustainability Scores



ASPI Eurozone®

www.vigeo.com

The Advance Sustainable Performance Indices' Eurozone listing tracks the financial performance of 120 leading euroland sustainability performers from the DJ Euro Stoxx benchmark financial universe, based on criteria developed by Vigeo, an agency that rates and assesses corporate social responsibility. Vigeo ratings are used to select the listed stocks, in keeping with ASPI Eurozone® guidelines.



Criteria (min -- / max ++)	Rating 2005 / 01	Score 2005 / 01
Human Resources	+	52
Environment	+	48
Customers & Suppliers	++	61
Corporate Governance	=	48
Community Involvement	+	63
Human Rights	+	59

Score scaling : 0 to 100

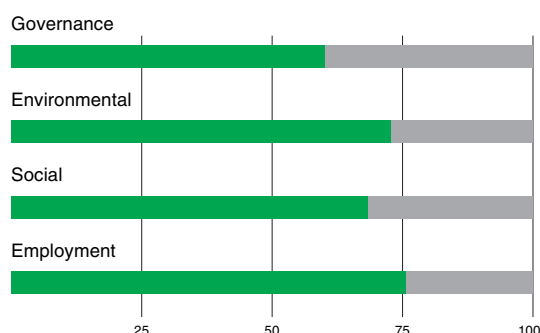
Core Ratings London

www.coreratings.com

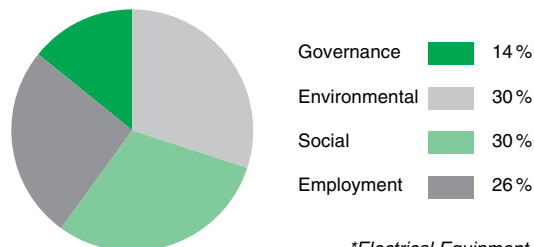


This year, Schneider Electric obtained an A rating from Core Ratings, London, a DNV company.

Company Risk Management



Industry Risk Exposure*



*Electrical Equipment

Ethibel

www.ethibel.org



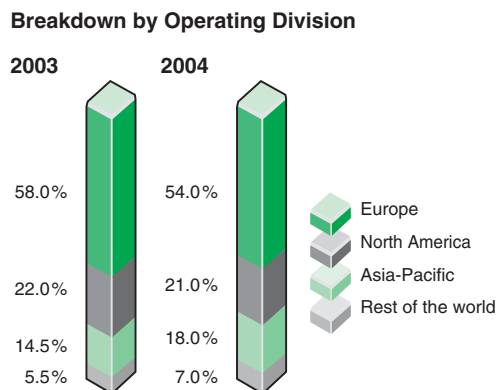
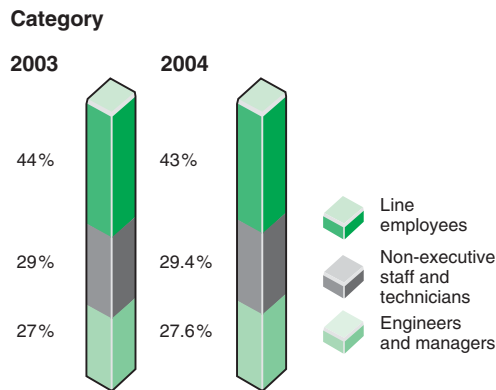
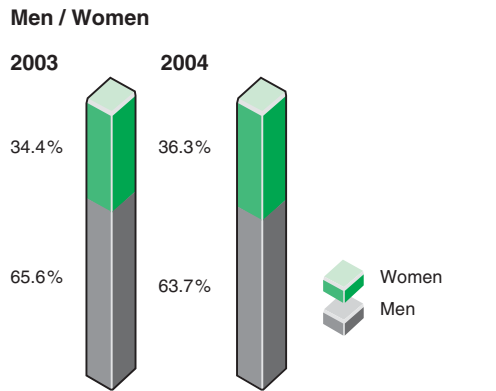
Schneider Electric is now included in the Ethibel Investment Register. This reference for socially responsible investing is used by a growing number of European banks, fund managers and institutional investors.

Ethibel offers two products based on its register: the Ethibel Label and the Ethibel Sustainability Index. Its research model takes into account sustainable development and the involvement of stakeholders, two critical components of corporate social responsibility.

Social performance

Employees

Through their diversity, skills and initiative, our people contribute daily to the Company's performance. It is our responsibility to manage this valuable resource fairly and actively.



Changes in the workforce

The total workforce grew to 84,866 in 2004 from 74,276 in 2003.

As part of its efforts to create a better geographic balance in operations, the Company redeployed resources during the year. The number of employees increased in countries like Australia, India, Indonesia and China.

On the other hand, several employment reduction plans were carried out in the United States and Europe. We took assertive steps to assist employees in re-directing their careers at all concerned sites.

Examples

> France

We implemented employment-support programs that gave 1,000 employees the opportunity to create their own companies, take early retirement or develop a personal project if they so desired. A committee with labor and management representatives tracked the process from start to finish to ensure that all participants were committed to success and that the plans were deployed properly.

> United States

The Company considered closing its Oxford, Ohio site because base costs were too high. Compensation packages were revised following negotiations between management and local labor unions that brought costs to an acceptable level for all stakeholders. The agreement signed in October 2004 saved 280 jobs at the facility, which makes busbar trunking.



An employee creates his own company

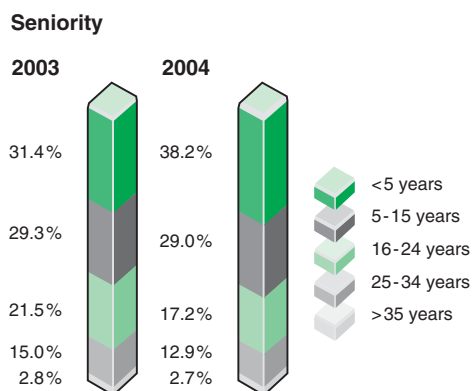
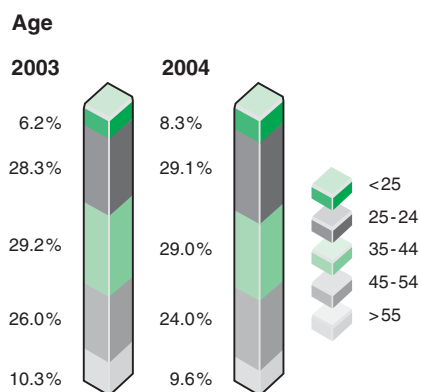
Webmaster in Schneider Electric's e-business division, Laurent Courtiade, 38, was included in a workforce-restructuring plan in 2004. He took advantage of the Company's employment-support program to develop an innovative professional and personal project that involves offering renewable energy solutions (wood heat and solar power) for single-family homes.

"When I was renovating my family's home in southeastern France, I found that there weren't many choices for rehabilitation and energy management. I felt that there was an opportunity here for environmentally-friendly solutions."

After being laid off for economic reasons in December 2004, Laurent began a six-month training program financed by Schneider Electric in January 2005 that offers a diploma at the end. His goal is to start up his business in summer 2005 with support and funding from Schneider Electric Initiatives Emploi, an association that helps employees start their own companies.



	2003	2004
Average workforce	74,276	84,866
Temporary and permanent contracts	71,850	84,184
Production staff	35,459	40,582
Non production staff	38,817	44,284
New hires	9,924	13,726
Departures	11,996	12,342



The percentage of people under 25 in the workforce rose noticeably between 2003 and 2004, reflecting in part new hires in fast-growing emerging markets, where we're recruiting local talent.

This trend also shows up in the seniority breakdown, with a significant increase in the "less than five years" category.



Employment support

In 2004, more than one thousand employees in France—notably in cross-functional positions—elected to take advantage of restructuring plans to make a career change. 150 decided to create their own companies, with technical and financial support for the first three years. Schneider Electric Initiatives Emploi helped participants prepare, launch and develop their projects. Since the association was created in 1994, 420 projects have been successfully completed.

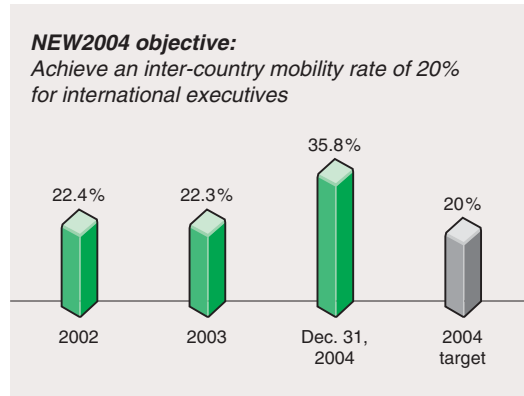
Employees (continued)



Professional development and internationalization

International mobility

In 2004, we continued to internationalize our management base by fostering international assignments. The inter-country mobility rate rose to 35.8% from 22.3% in 2003. 251 people—16% of them women—representing 51 nationalities took part in mobility programs.

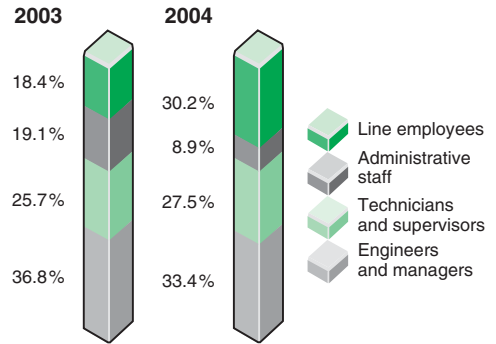


Training

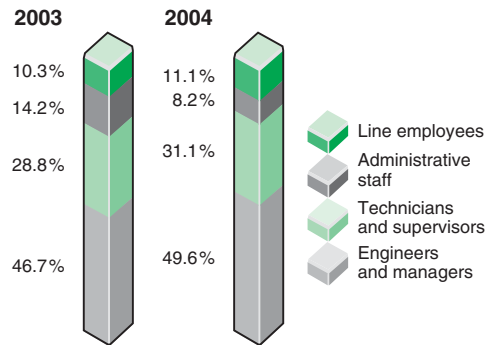
The average number of days devoted to training doubled in 2004 for line employees, the largest increase among all categories. Health/safety and technical courses were particularly popular. This reflects our deep commitment to developing line operators' job skills.

Training trends were more or less stable for the other categories, excepting a slight decline for administrative staff and technicians. Overall, the average number of days of training per employee rose to 3.25 in 2004 from 2.8 in 2003.

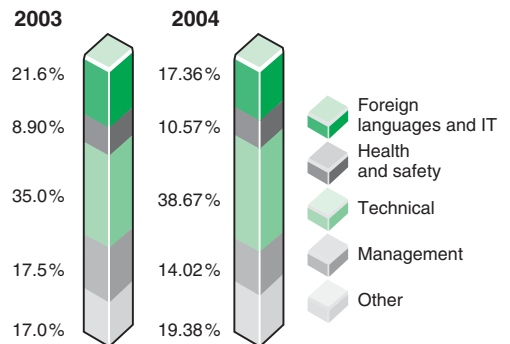
Number of days of training



Total training costs



Cumulative days of training by type



In 2004, line employees filled more than half of the days devoted to health/safety and technical issues.

Engineers and managers filled half of the sessions for management and foreign languages and IT.



**Brazil-France:
first step in an international
career**

Fernanda Corigliano, a Brazilian, has worked at the Iberian & International Division's Human Resources Department in France since December 2004. Schneider Electric's Marco Polo international hiring program opened the door to this opportunity.

Through Marco Polo, young graduates and seasoned managers are given a two-year foreign assignment before returning home to continue their careers.

Fernanda, who holds an MBA with a specialization in Human Resources, worked for a US new technologies firm in Brazil for three years before accepting an offer from Schneider Electric.

"As far as I know, Marco Polo is one of the few truly international hiring programs in the job market," says Fernanda. "It shows that Schneider Electric is interested in high-potential young graduates who speak several languages. Participants can take advantage of their assignment abroad to learn new skills and good practices, which they can later apply in their home countries. For the Company, this is the best way to train recruits in an international environment and to foster a uniform corporate culture around the world."



Marco Polo program

In 2004, the Company welcomed 117 graduates from 50 countries into its Marco Polo international hiring program. Marco Polo gives young graduates from around the world the opportunity to gain roughly two years of professional experience abroad.

Schneider Electric University

The Schneider Electric University develops programs for high-level managers and experts. In 2004, 672 managers from 59 countries participated in the university's seminars.

E-learning

In 2004, we added an e-learning program on sustainable development to our online training, which already includes marketing, business and English courses.

Some 45,000 employees have access to e-mail and an intranet.



Indicators

All of the quantitative data provided in this section have been consolidated using two Company-wide methods:

- **Workforce data:** A global human resources scorecard, established annually over the past five years based on a bottom-up reporting process.
- **Environmental data:** Reporting tables from the Group environmental affairs department, based on an annual manufacturing site survey.

This data is then reconciled with information from accounting and purchasing reporting systems to ensure consistency.

All of the social and environmental information provided covers the entire Company, except when specified otherwise.

Employees (continued)



Meaningful dialogue / Surveys

As of end-2004, 99% of our employees had responded to a satisfaction survey within the last two years.

Introduced in 1997, the ProSat survey covers employees from all categories and in all locations every other year.

While we do consolidate the results to obtain a global indicator, we are more interested in using the survey data as a management tool in each country. That's why we follow up each ProSat survey locally with an operating action plan.

Generally speaking, employee expectations concern methods for rewarding risk-taking and teamwork and the development of employability within the Company. Individual commitment and attachment to Schneider Electric's values are considered to be at a good level.

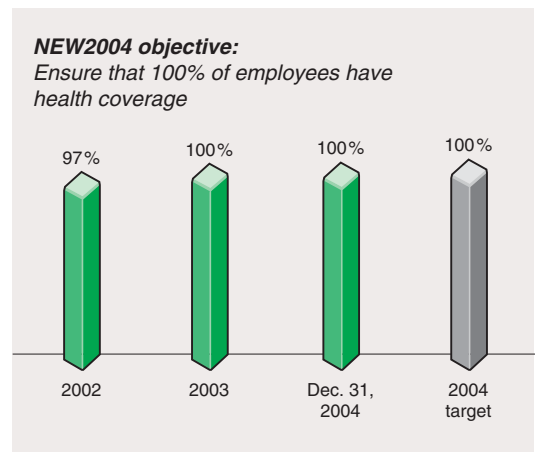
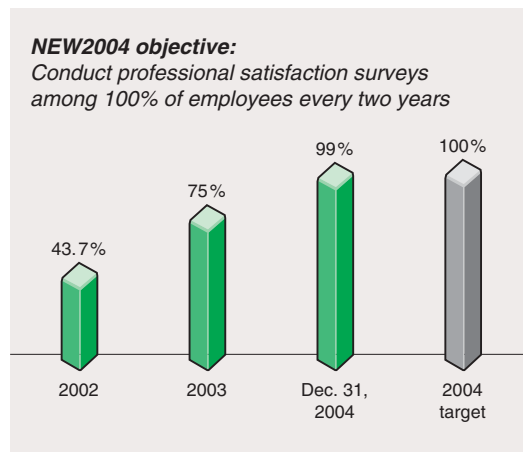
Health and safety

After an initial program devoted to health coverage, several related action plans were carried out in 2004, notably in France, the US and Spain.

A comprehensive initiative to raise awareness about on-the-job safety was introduced in the US. It includes a "safe start" program that describes situations most likely to cause work accidents, an online training module for all employees, and a specific campaign in January, traditionally a peak period for accidents. The number of accidents declined by 153 between 2003 and 2004, representing savings for the Company of around \$2 million.

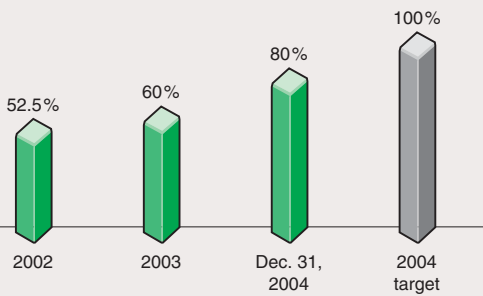
We are currently defining an occupational health and safety policy for the entire Company that should be ready in the first half of 2005.

In France, the Human Resources department developed an experimental approach entitled "psychological dynamics and work" in partnership with work psychologists from Conservatoire National des Arts et Métiers.



NEW2004 objective:

Introduce a variable salary component linked to local and Company-wide results for 100% of employees



Compensation

Employee share ownership

The most recent employee share issue was carried out in 48 countries in 2004, at a 15% discount to the average share price.

As of December 31, 2004, employees held 8,501,683 Schneider Electric SA shares, or 3.76% of the issued capital, through mutual funds.

Variable salary component

One of NEW2004's challenges was to introduce a variable salary component for all employees linked to the Company's local and global results. At end-2004, we achieved a rate of 80%.

For many years, our French employees have benefited from profit-linked incentive schemes and profit sharing plans, giving them a variable salary component representing up to 9% of their total compensation, depending on the Company's results. The challenge to extend this practice across the Company was designed to ensure pay equity in all countries, within the framework of local legislation.



Codifying positions

As part of the program to deploy a global information system for the Human Resources function, Schneider Electric's Human Resources team began a vast project to codify job grades and titles around the world in 2004.

Aside from developing the function, this project structures our skills in all our host countries, including in the less developed world. It will give us a better idea of our competencies and allow us to organize work in a more professional manner.



A major project in China and India

China and India, two key regions for the Company, were among the areas targeted. "The goal is to codify all of the Company's positions, to obtain a list of around 400 grades and titles," explains Cedric Durth, project manager for the Asia-Pacific region. "This will give us a better picture of the current situation and allow us to share the same reference base at last."

Work began in India in 2004. All 900 employees now have a job code, which was designated in close cooperation with their managers.

The same careful process was deployed in Schneider Electric's 15 plants and joint ventures in China. "We needed to identify all our manufacturing positions, and this project was very helpful in doing that," says Jerry Qian, Hiring and Development Manager at Schneider Electric Business Solutions. "We then organized a training session for HR managers in Beijing. Some twenty people attended, which was important because we want transfer this knowledge so the managers can make the project their own."

With around 1,000 new recruits each year, Schneider Electric in China definitely needs a codified system to effectively manage human resources development. "It's a dynamic process," notes Qian, "because we're in a situation of constant change and growth. We have to take the impact on job content into account." At present, 95% of the manufacturing positions in China have been codified. The Corporate, Sales and Support functions will now begin the process.

Employees (continued)



Human rights and diversity

The Company signed several agreements in France in 2004, including:

➤ The **Diversity Charter** launched by Institut Montaigne. With this commitment, the Company promises to reflect the diversity of its host community—notably ethnic and cultural—at all levels of its organization. Going beyond France, we have decided to apply the charter's principles in all our host countries or to update similar policies, for example in the United States.

➤ **A three-year agreement on employing the disabled.**

This agreement with labor representatives was renewed for 2004-2006 as part of our sustainable development policy. It takes a broader view of the issues involved in integrating disabled workers by recognizing the diversity of disability.

Schneider Electric Industries SAS is among the six CAC-40 firms in which disabled employees account for more than 6% of payroll.

➤ **An agreement on job equality between men and women.**

Schneider Electric Industries SAS signed a specific document on this topic with French labor unions in 2004. The agreement recognizes the structural imbalance in the Company's workforce stemming from traditional career choices made by men and women in the past that have channeled a high number of men into technical fields.

Additional information

Departures

Total departures
2003: 11,531 2004: 11,289

Resignations
2003: 2,992 2004: 4,279

Lay-offs
2003: 3,609 2004: 2,540

Of which lay-offs for economic reasons
2003: 1,130 2004: 1,061

End of temporary contracts
2003: 2,047 2004: 2,427

Early retirement
2003: 565 2004: 350

Other
2003: 2,318 2004: 1,693

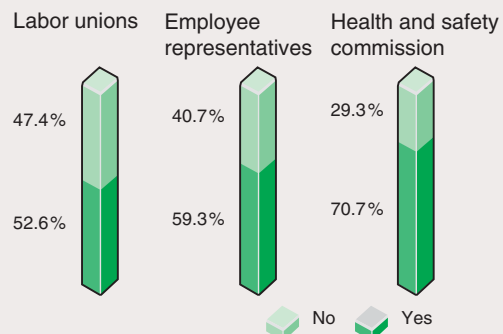
New hires

Total new hires
2003: 10,114 2004: 12,241

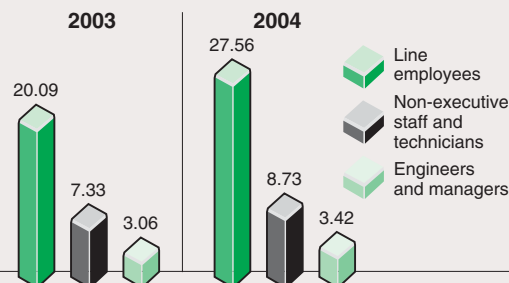
Permanent contracts
2003: 6,341 2004: 7,137

Temporary contracts
2003: 3,773 2004: 5,104

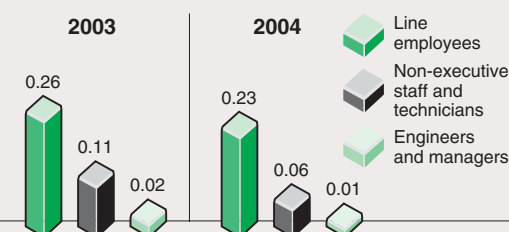
Labor relations - percentage of units with the following representatives:



Work accidents: Frequency rate



Work accidents: Seriousness rate



Community



We forge strong commitments with our partners and host communities around the world, because meaningful involvement is indispensable for a global enterprise that wants to maintain deep local roots.



The Schneider Electric Foundation

Created at the end of 1998 under the aegis of Fondation de France, the Schneider Electric Youth Opportunities Foundation helps young people in our host communities get off to a good start. The Foundation supports tangible, long-term projects that focus on education, training and mentoring. It also encourages our team members to get involved and lend a helping hand.

The Foundation's work falls into two main categories:

> The annual fund-raising campaign

The Luli international fund-raising campaign was launched in 2001 to support, encourage and actively assist young people around the world so they don't fall by the wayside. During the week-long campaign, Schneider Electric employees marshal their talents to organize numerous events, including donation drives.

Each year, Luli raises some €4 million, which is distributed to 350 local associations. In 2004, Luli supported 170 projects in more than 70 countries.

> Emergency aid

Alongside Luli, the Foundation supports emergency work during natural and other disasters. In 2004, Schneider Electric and the Foundation provided equipment and financial assistance after the May earthquakes near Algiers.

In December, the Company and the Foundation also launched a global fund-raising drive in response to the Tsunami in Southern Asia.

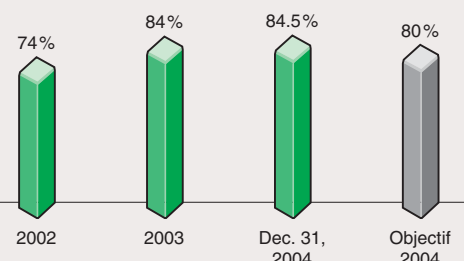
Asia

One of the largest natural disasters in history struck Asia in December 2004. The entire Schneider Electric community participated in the international response, in particular by donating emergency aid in Indonesia, Sri Lanka, India and Thailand; supporting reconstruction projects selected by team members in the countries hit by the tsunami; and donating equipment and services to restore drinking water and electric power in the disaster area.

Schneider Electric, which is present throughout the region, contributed \$3,662,028 to the relief efforts, of which \$811,014 in employee donations.

NEW2004 objective:

Ensure that 80% of our sites have a long-term commitment with the Schneider Electric Foundation. Luli is now an integral part of our corporate community.



Community (continued)



Volunteer work at a vacation center for the disabled

“Writing a check is good, but donating your time and work is even better,” explains Alain Croset, activity head in a platform of experts.

Along with some one hundred of his colleagues from Grenoble and Montmélian, Alain helped renovate a chalet in the Alps during the summer for ANAE, an association that works with the disabled. ANAE wanted to make the vacation center more accessible to disabled visitors and their families.

Schneider Electric employees and retirees rolled up their sleeves and got down to work in an experience that was both intensive and satisfying.

“The site was very well organized given the number of people involved,” says Alain, “and we got done very quickly. It was really exciting to see how the chalet was transformed between June



and October. What’s more, we participated in a number of activities organized for the disabled and got to know the association and the people who support it much better.”

NEW2004 Trophies

Each year since 2002, Schneider Electric has organized a competition to identify best practices for each of the six challenges in the NEW2004 program.

With 468 entries, the 2004 edition enjoyed record participation. The chalet renovation project, entitled “200 days in Pralognan”, won the Trophy for challenge no. 6, Develop Corporate Community Responsibility.



Customers

Because customer satisfaction is a focus of our priority improvement plans, we carefully track the rate of very satisfied and dissatisfied customers.

Our BIS image and satisfaction survey, administered throughout our customer base every two years, is a key resource here. The method was primarily designed for the 40 countries that account for 95% of our sales. More than 40 countries have been covered by one or several BIS surveys since 1999. In 2004, the survey was conducted in 20 countries, including the US, France, Germany, Spain, Mexico, Switzerland, India, Japan, Sweden and Russia.

The compiled data has helped us identify major trends.

Our strengths in the area of customer satisfaction include our lineup, customer relationships, technical and sales support, catalogs and delivery of standard products. A look at our customer satisfaction index shows that we continue to outpace our global rivals—a key advantage that we intend to nurture and strengthen in the years ahead.

Concerning our image and brand equity, the Company and its brands benefit from very strong awareness across the customer base. They are perceived as offering high quality products through professional teams that are close to customers. In most countries, they are also seen as solid, benchmark brands and market leaders.

A briefer survey, called “BIS Light”, is used for smaller countries. In 2005, eight countries including Ireland, Venezuela, Croatia and South Korea will use it to establish their own diagnostics and action plans to serve customers even more effectively.

Lastly, a quarterly satisfaction survey has been introduced in the Country Organizations to better track the effectiveness of corrective measures.



Suppliers

Schneider Electric's Purchasing Function is highly decentralized, with 750 buyers around the world. Our purchasing represents more than 30,000 indirect jobs with suppliers.

We encourage suppliers to participate in the Global Compact, and take special account of those who have deployed sustainable development programs and initiatives. So far, 140 have signed the Global Compact.

In 2004, we introduced a sustainable development agreement with suppliers in all our host countries defining each party's respective commitments. In addition, as part of our Schneider Supplier Quality Management (SSQM) program, we have set up a single qualification process covering all countries and all steps in the supplier relationship, from identification and qualification to product selection and performance assessment.

Concerning identification, section 9 on sustainable development evaluates a supplier's human rights record according to the SA8000 standard and verification system, as well as its human resources and environmental practices (ISO 14001).

As for qualification, section 8 focuses on safety, health and the environment, in compliance with the Restriction of Hazardous Substances Directive (RoHS).



Environmental performance

Sites

We maintain a constant focus on managing product life cycles more effectively as part of our commitment to improving environmental performance.



In 2004, we conducted our annual review of pollution risks at all our manufacturing sites. None of our 197 production facilities is classified Seveso. We continuously track 14 facilities, of which seven in France, often because of their past manufacturing history (in France, this corresponds to sites that require special environmental protection authorizations). Lastly specific action plans have been established to reduce risks at 14 facilities. The plans have been completed at ten sites and are still under way at the four others.

In 2004, 97% of the manufacturing sites targeted by the NEW2004 program received ISO 14001 certification. The remaining 3% are involved in the certification process. All certified facilities benefit from the continuous improvement methodology set out in ISO 14001.

We intend to extend the ISO 14001 certification process to all logistics sites in 2005 and our R&D facilities before 2008.

Environmental performance

	2002	2003	2004 at 2003 scope of consolidation	2004*
Number of employees at our manufacturing sites	36,983	43,944	41,822	47,140
Amount of waste produced (in metric tons)	109,357	93,736	73,466	94,821
Amount of waste per production site employee (in metric tons)	3	1.9	1.8	2
Percentage of waste recovered	53	65	78	73.5
Equivalent energy consumption (in MWh)	538,111	674,967	628,627	692,298
Energy consumption per production site employee (in MWh)	14.6	15.3	15	14.7
Water consumption (in cubic meters)	1,805,608	1,643,483	1,625,380	1,838,221
Water consumption per production site employee (in cubic meters)	49	37.4	38.9	39

* Data collected from 158 sites versus 139 in 2003

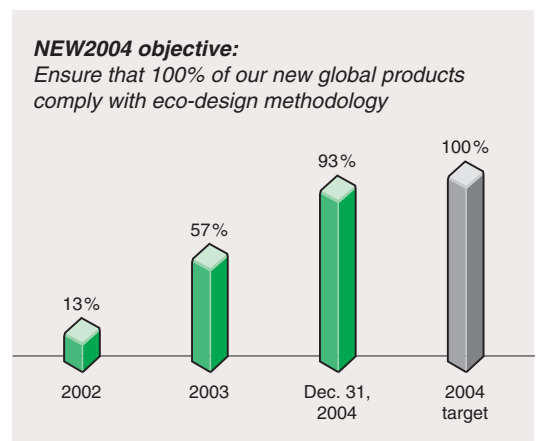
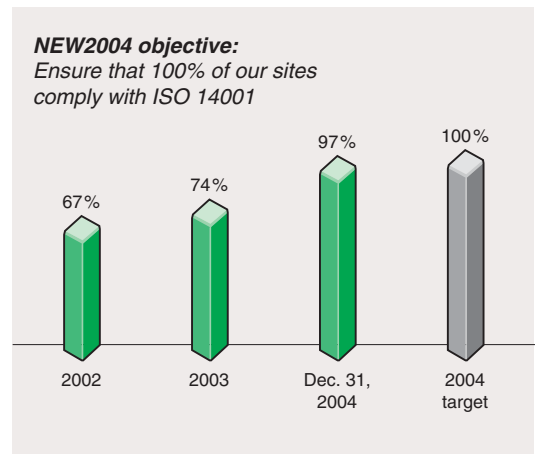
The figures on per capita water and energy consumption and waste production and recovery have improved significantly over the past three years. Each year, we extend the scope of our evaluation to include any new units that have joined the Company.

Products



Communication on environmental aspects has become indispensable. As a result, the Company issued a directive in 2004 calling for the publication of a product environmental profile (PEP) for all new products. Designed to provide information on environmental performance throughout a product's life cycle, the PEP is based on life cycle analysis (LCA) methodology. In particular, it describes the product's environmental impact calculated using databases available to the general public.

This includes information on such factors as natural resource consumption, greenhouse forcing and ozone layer depletion.



Schneider Electric recognized

As part of a competition organized by the French Chambers of Commerce and Industry, Schneider Electric received two environmental awards from the French Ministry of Ecology and Sustainable Development in 2004.

The Company came in second in the "Eco-design for sustainable development" category for the range of speed drives eco-designed and manufactured by Schneider Toshiba Inverter. The approach used for this range has reduced product volume by 19% and mass by 23%.

Schneider Electric also came in second in the "Environmental management for sustainable development" category for its facility in Carros, France, which primarily manufactures automation components.

Products (continued)



In addition, Schneider Electric has committed officially to complying with the EU Restriction of Hazardous Substances (RoHS) Directive for all concerned products worldwide.

As a result, we will eliminate lead, mercury, cadmium, hexavalent chromium and brominated flame retardants from our electrical distribution and low voltage industrial control products.

A dedicated program has been developed to promote the necessary measures in design, industrialization, purchasing and production.

To extend our eco-design approach, we set up specific training sessions in 2004 to help designers, marketing staff, and production and purchasing managers apply the environmental guidelines in our internal product development manual.

RoHS Directive: an ambitious program

In 2003, Schneider Electric launched a program anticipating the EU's Restriction of Hazardous Substances Directive, which will take effect in July 2006. This Directive, which impacts all our research, development and industrialization processes, represents a major challenge for Schneider Electric, as it will eventually expand beyond Europe to become a global benchmark.

In keeping with our commitment to sustainable development, we have decided to apply the Directive's requirements to all our products around the world in the near future. It goes without saying that our products in Europe will be RoHS-compliant before July 1, 2006.

The Scientific & Technical Affairs and Manufacturing Departments are leading the process, which comprises five key steps:

- Identify solutions to adapt or substitute components and materials both in-house and with suppliers. The banned substances are lead, mercury, cadmium, hexavalent chromium and two first-generation brominated flame retardants (PBB and PBDE).
- Certify all suppliers.
- Validate modified products.
- Apply action plans to ensure quality and reliability.
- Launch new production and market new products.



Altivar 71 speed drive



Masterpact NT Prisma Plus enclosure



Premium automation platform



Another way of looking at product development

With the Altivar 71 speed drive, Schneider Electric has marketed its first entirely eco-designed product.

“Until now, and notably for the Altivar 11, we conducted a materials and life cycle analysis to determine a product’s environmental impact,” explains Willy Martin, the project’s eco-design manager at Schneider Toshiba Inverter Europe (STIE). “With the Altivar 71, the entire development process came under review for the first time.”

Altivar 71 is intended for numerous applications, including garage doors, elevators and drills. Some 20 designers worked on the speed drive’s

PEP for new products

In 2004, Schneider Electric issued a directive calling for the publication of a product environmental profile (PEP) for all new products. The PEP provides information on environmental performance throughout a product’s life cycle. By end-2008, 120 products from our 300 product families should have their own PEP.

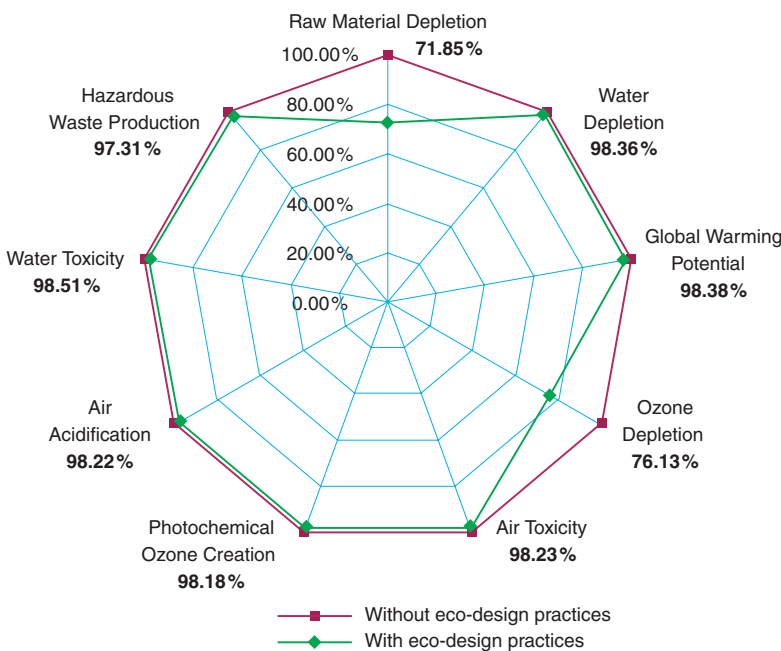
mechanical aspects, and another ten worked on the electronic boards. They used several methodologies, including a materials analysis, to establish the product’s exact make-up; a life-cycle analysis using EIME software, and an environmental evaluation plan.

“The plan gave the designers a hands-on view of eco-design best practices, for example by identifying solutions to eliminate solder spots or rivets. This was the first time they had to take eco-design constraints into account, and they all recognized that the best practices weren’t any more difficult to integrate than traditional design practices—as long as they were factored in at the beginning of the project.”

The end result is a speed drive made of similar and/or compatible materials. It is 19% smaller and 27% lighter than the model it replaces. Designed for easy disassembly, the Altivar 71 is more than 80% recyclable.

Following this initial success story, STIE has decided to extend the eco-design process to all major projects developed in its centers in Japan, the US and New Zealand.

Altivar 71 environmental impacts



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and/or order documents

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